

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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P 151450Z MAY 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 3984

C O N F I D E N T I A L CAIRO 4880

EXDIS

E.O. 11652: GDS

TAGS: EAID EG

SUBJECT: JOINT SUPPORT OF EGYPTIAN FOREIGN EXCHANGE PROGRAM

REF: STATE 111831

1. HAVE NO OBJECTION APPROACHING GOE ALONG LINES APRA 5
REFTEL. IN CONSIDERING WHERE SUCH APPROACH MIGHT BEST BE MADE,
I HAVE CONCLUDED IT SHOULD BE TO PRIMIN MAMDOUH SALEM AND HAVE
ASKED FOR MEETING WITH HIM SATURDAY OR SUNDAY, DEPENDING ON HIS
CONVENIENCE. NO TIME YET SCHEDULED AND TOMORROW BEING FRIDAY,
MOSLEM SABBATH, I MAY NOT HEAR UNTIL SATURDAY MORNING. GIVEN
JURISDICTIONAL SENSITIVITES OF VARIOUS GOE ECONOMIC MINISTRIES,
IT WILL TAKE SOMEONE OF A HIGHER CABINET LEVEL TO INSTRUCT THEM ON
A MATTER SUCH AS THIS. I ALSO RECALL SALEM HIMSELF TOLD UNDER
SECRETARY ROBINSON THAT HE PORPOSED TO INSTITUTE A SERIES OF
UNSPECIFIED REFORMS. I CAN PEG MY DEMARCHE ON THAT
STATEMENT. WILL, OF COURSE, ALSO TAKE APPROPRIATE OCCASIONS
TO MAKE SAME POINT TO EGYPTIAN ECONOMIC MINISTERS, THOUGH I
DOUBT ANY ONE OF THEM WOULD TAKE THE INITIATIVE. ABU ISMAIL
UNDERSTANDS, AND I BELIEVE WOULD SUPPORT SUCH AN IDEA, BUT IS
NOT LIKELY TO RISK INCURRING THE ANIMOSITY OF HIS MINISTERIAL
COLLEAGUES BY PROPOSING FOREIGN EXCHANGE MANAGEMENT SYSTEM
ON HIS OWN. HE IS STILL SO NEW THAT HE TENDS TO REACT, RTHER
THAN ACT. WILL REPORT RESULTS OF MY MEEING WITH SALEM SOON AS
IT TAKES PLACE.

2. EGYPTIANS WILL REGRET UNDER SECRETARY'S INABILITY

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TO STOP IN CAIRO FOLLOWING UPCOMING SAUDI VISIT, SINCE THEY ARE

HOPING THAT HE WILL BE ABLE TO BRIEF THEM ON WHAT USG IS WILLING TO DO. THEY HAVE BEEN TELLING ALL, DIPLOMATS AND NEWSMEN, THAT SUBJECT OF USG HELP AND MULTI-NATIONAL ASSISTANCE PROGRAM SPEARHEADED BY USG, WILL BE DISCUSSED AT SALZBURG SUMMIT. SINCE THEY WILL DOUBTLESS BE CONCERNED ABOUT CHANGE IN UNDER SECRETARY'S PLANS AND TEND TO READ MORE INTO IT THAN IS INTENDED, I WILL AS NECESSARY REASSURE THEM THAT WE ARE PORCEEDING WITH OUR PLANNING ALONG LINES UNDER SECRETARY DISCUSSED WHILE IN CAIRO AND ARE MINDFUL OF EGYPTIAN DESIRE TO SAY SOMETHING ABOUT THIS AT SALZBURG.

3. I AM SOMEWHAT CONCERNED THAT EGYPTIANS, AND ESPECIALLY PRESIDENT SADAT AND PRIMIN SALEM, REMAIN UNDER IMPRESSION THAT USG IS ACTIVELY ATTEMPTING TO PERSUADE US COMMERCIAL BANKS TO RENEGOTIATE THEIR SHORT-TERM LOAN COMMITMENTS TO EGYPT INTO MEDIUM-TERM OBLIGATIONS. UNLESS WE ARE IN FACT DOING SO, I BELIEVE IT IMPORTANT THAT WE DISABUSE GOE RE LIKELIHOOD OF SUCH COMMERCIAL BANK TRANSACTIONS. PLEASE ADVISE ANY ACTION WE MAY HAVE TAKEN OR CONTEMPLATE IN THIS REGARD.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN EXCHANGE, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 15 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CAIRO04880
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750171-0172
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750546/aaaabpkd.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 111831
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2003 by ElyME>; APPROVED <07 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JOINT SUPPORT OF EGYPTIAN FOREIGN EXCHANGE PROGRAM
TAGS: EAID, EG, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006